sugar from Cuba and Porto Rico will release that part of the product which has been coming into the United States from the British West Indies. Very naturally, in so far as England needs it, this amount will go to England. It would appear that the German industry is likely to suffer a good deal.

There is still another fact to be met and that is that the placing of sugar on the free list means the reduction of our revenue. As given in the following table, the revenue from dutiable sugar amounted to $29,808,140 in 1896.

	Imports		Value	Duty
1890	29,340,115.60	lbs.	$ 96,094,532	$53,985,873
1891	3,483,407,222	"	105,728,216	32,303,692
1892	3,556,309,165	"	104,408,813	76,795
1893	3,766,445,347	"	116.255,784	163,956
1894	4,345,193,881	"	126,871,889	259,763
1895	3,574,510,454	"	76,462,836	15,354,290
1896	3,896,338,557	"	89,219,773	29,808,140

—*Statistical Abstract*, 1896, p. 285.

The total revenue from customs in the same year was $169,021,751. Sugar duties probably aggregate about 18 per cent. of the total revenue. Such a reduction will certainly increase the embarrassment of an already burdened treasury. The question of meeting a deficit will be rendered still more difficult by the elimination of one of the most fruitful sources of income.

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THE TRANSITION TO GOLD IN ENGLAND AND IN INDIA.

IF the question is asked, At what date must we place the transition, in England, from silver to gold, as the monetary standard of the country ? the reply that we should be most likely to receive would be, In 1816. The most cursory glance at the monetary conditions ruling during the eighteenth century, however, is sufficient to show us that there did not then exist anything that even remotely corresponds to our conception of a silver standard. We find Adam Smith, for instance, speaking of gold as, in his day, "holding up" the value of the silver coin, just as we might speak of the sovereign as holding up the value

of the shillings and half crowns now. The fluctuations of the foreign exchanges, owing to the state of the silver coinage, when Lord Liverpool wrote, had already become a thing of the remote past. For very many years they had fluctuated only in conformity with the condition of the gold coinage and with that of the balance of trade. The mint price of gold too had remained for very many years at the unvarying figure of £3 17*s.* 10½*d.*, or within a fraction of it, as at present; while the price of silver bullion fluctuated, at any rate, as noticeably as it did during the earlier years of this century. Taking a survey of the state of things, indeed, it is hard to say what there is in it that is wanting to the complete existence of the gold standard. If today in India we had a similar state of things established, one in which the gold held up the silver to a uniform value, and in which the exchange was unaffected by anything but the balance of trade and the condition of the gold coinage, we should certainly have all the gold standard that anyone thinks of or aims at.

Go back one hundred and twenty years, however, to the date of the great recoinage of silver, and we find an entirely different state of things in existence. Silver was then beyond all question and in every possible sense of the word, the English standard. It was the active and operative, as well as the legal standard. The guinea then rose and fell in quotable value, like any other commodity; the clipped and worn condition of the silver coinage caused the dealings of internal commerce to be attended with endless trouble and inconvenience; and brought down the exchange with Hamburg and Amsterdam, sometimes as much as four shillings in the pound. From 1695 to 1699 was the period of the recoinage of silver. Subsequent to it history appears to be altogether silent in regard to monetary troubles either in connection with internal dealings or with the foreign exchanges. Macaulay dwells with enthusiasm on the long years of immunity from such troubles that succeeded it, and which he, most naturally, regards as having flowed from it. The truth was, however, that the recoinage had hardly been completed before the new full-weighted silver began to leave the country again in a steady and unceasing stream. Eighteen years after its completion all the beneficial results which it was expected to secure had ceased to have any existence as far as the condition of the silver itself was concerned.

In the reign of King William [remarks Lord Liverpool], when the silver coins were so very deficient, Mr. Locke had said, "It is no wonder if the price

and value of things be confounded and uncertain, when the measure itself is lost." To restore this measure the public had expended £2,700,000. But notwithstanding so great an expense, this measure of property in the lapse of a very few years, was a second time lost, and had no existence, unless it had passed into the gold coin.

Amid much that is uncertain and obscure there are two facts that stand out clear and unmistakable. First, there is the fact that while, in 1695, silver was the operative standard of the country, it had, by the middle of the next century, probably by 1720, altogether ceased to be so, and was merely held up in value by the gold, as a subsidiary coinage. Second, there is the fact that this all had come about without any action, or indeed any thought of action, on the part of the legislature with the view of bringing it about; that it had come about indeed in the teeth of statutory legislation that made both gold and silver equally unlimited legal tender, and that opened the mints to the free coinage of both.

In so far as the phenomenon has been recognized as one that calls for explanation, the current explanation given of it is summed up in the well-known formula of Gresham's Law. Gold, we are told, being overrated as compared with silver at the mint, by Sir Isaac Newton in 1717, ousted silver as the ordinary currency of the country. The public having then come to use gold instead of silver as money in the bulk of their transactions, gradually came to measure all values in it, and eventually—a century later—adopted it formally as their standard. The explanation is a rough and ready one, and is one, I think, that will not stand a careful scrutiny. To begin with, the statement that gold ousted silver as the ordinary currency of the country is a statement that is plainly enough not in accordance with fact. It stands to reason, on the contrary, that, with a state of things in existence socially, in which the average working man was receiving wages of ten shillings a week or under, and was being paid weekly, the currency must, to a very great extent indeed, still have continued to consist of silver. If we want specific evidence on the subject, however, we have it from Harris. Writing in 1757, he tells us that, in his time, "the great inland commerce of the country was chiefly carried on by silver" and that "laborers, handycraftsmen and manufacturers of all sorts" were paid their wages in that metal. Again, the statement that gold was overrated as compared with silver is one that, though strictly speaking correct, may readily mislead. Gold bullion was, indeed, overrated as

compared with silver bullion, and the fact that it was so was one of much importance as bearing on the situation, but the gold coin that was in circulation was not overrated as compared with the silver coin, but, on the contrary, came to be, by the middle of the century, very greatly underrated as compared with it. When this ensued, there were plainly two classes of money in circulation, a worse and a better, and both were unlimited legal tender. Why then did not the worse, the worn silver, oust the better, the gold coins, from circulation, as, by Gresham's Law, it ought to have done? It is surely worthy of remark that, in this case, Gresham's Law altogether failed to operate; and that the worse money, instead of supplanting the better, settled down into a subsidiary currency alongside of it. What happened, to trace the process, so far as it can be traced in detail, was this; first, that, as silver bullion was overrated as compared with gold bullion, practically no fresh silver was brought to the mints to be coined. The mints were thus closed to silver as effectually as if they had been closed by statute; secondly, that all the heavier silver coins were picked out, melted down, and exported. What were left, however, must have been no insignificant quantity, if they were sufficient to carry on all the inland commerce of the country. They were, however, sufficiently depreciated by loss of weight to be, at any rate, not more valuable intrinsically than they were nominally; otherwise they too would have gone to the melting pot. As time went on, they continued to suffer from wear and tear, till, in the end, they were found to have lost from a third to a half of their weight. Their quantity being limited, however, by the impossibility of coining silver except at a loss, they came, by a natural process, to exemplify both of the two conditions that are, nowadays, laid down as essential for a subsidiary coinage; their supply was free from the risk of unlimited augmentation, and they contained less metal than that which corresponded to their nominal value.

The state of things that thus came about was, it must be remembered, one to which the history of mankind up to that date could show no parallel. It seems to us so simple a matter to make the silver shilling circulate as precisely the twentieth part of the gold pound sterling that we do not readily realize the fact that the possibility of doing so had not so much as dawned on the minds of our ancestors in the seventeenth century. Locke was profoundly and justly impressed with the unsurpassable importance of making and keeping the monetary standard always absolutely uniform. He laid it down accordingly

as self-evident that silver was the only substance that was suitable to be used as the standard money of any country; as it was by the use of silver alone that that end could be attained; that the perfect identity of "the integer with its fractions," as Harris puts it, could always be insured. It had never apparently so much as occurred to Locke, or to anyone else in his day, that the identity of the integer with its fractions, as far as value was concerned—the only salient matter—could be perfectly maintained, while yet the standard money of the country consisted of a different substance from its subsidiary money. They might, no doubt, have found something of a precedent for such a state of things in the existence, in the past, of copper and billon moneys maintained at a value that was different from their intrinsic value. The inference may seem to us an obvious one that, if copper could be maintained at a parity with silver, then silver could be maintained at a parity with gold. Nothing is more certain, however, than that this inference was never drawn. It would be a gross anachronism, indeed, to represent to ourselves the Englishmen of the seventeenth century as on the lookout for such precedents. Silver was for them the inherited standard of the country, and the last thing they thought of or dreamt of was its displacement in favor of gold, or its reduction to a subsidiary position. Every step, indeed, in the transition from silver to gold, with all its momentous consequences, was evolved by the natural course of events, without forethought or intention on the part of any human being. In describing the origin of cabinet government in England Mr. Bagehot says that "we blundered into it." It might be said of the gold standard, in a similar manner, that we blundered into it; the disastrous state of the depreciated silver being itself converted by an apparent accident into an essential feature of the new system. It would, perhaps, be truer, however, to say that, as the genius of the English people in the political sphere, unaided altogether by theory, evolved both the house of commons and the cabinet, to be copied, when the time was ripe, by the rest of civilized Europe; so, in the monetary sphere, it evolved the system under which, in the world of today, the standard can remain one and uniform, while the currency, as far as substance goes, can be as complex as that of the United States is now. It will be well to inquire how far this history throws light upon the present problem in India.

While the history of all Europe has been ransacked, in connection with the Indian currency problem, for such precedents as may assist

in indicating the best method of transition from the silver to the gold standard, the transition in England itself appears to have passed practically uninvestigated. The difficulty in connection with the problem in India which is generally felt to be most serious is that of the reserve. A large gold reserve, it is contended, is indispensable before the gold standard can be adopted, and the questions, how it is to be got, and how, when got, it is to be retained, are supposed, in many quarters, to be questions well-nigh unanswerable. The figure at which this indispensable reserve is placed by different expert authorities varies very greatly. The chairman of the Bank of Calcutta puts it at 70 million pounds sterling, the Hon. Herbert Gibbs at 50 million pounds, Sir David Barbour at 15 million pounds, and Mr. A. M. Lindsay at from five to ten million pounds. There is evidently nothing in the nature of a general principle that can underlie such divergent estimates. The only thing noticeable about them is that the more hostile, on other grounds, a writer is to the adoption of the gold standard for India, the larger is his estimate of the indispensable gold reserve. What is certain is that its amount must be precisely proportioned to the liability intended to be incurred, and that, if the gold standard can be adopted without incurring any liability, it can be adopted without the preliminary accumulation of any gold reserve. It was hoped, indeed, that the measures of 1893 would bring about the transition to gold without liability, and consequently without a gold reserve. This hope, no doubt, has not so far been fulfilled. The transition in England in the eighteenth century, however, we have seen, was effected without anyone so much as contemplating it in anticipation, much less thinking of accumulating a reserve to prepare the way for it; and the question presents itself: Is the mode of transition which then took place capable of being imitated now in the case of India? The first great operative fact in connection with the English transition was the virtual closing of the mints to silver; and that we have already imitated in India by their statutory closure. The second great operative fact was the fixing of a ratio between the unlimited gold and the practically limited silver. Before the fixing of the ratio, silver measured values in England, and the gold guinea fluctuated in price. After it, the guinea remained steady, and the silver coins also remained steady, but became subsidiary money. What was intended was to fix the value of gold in the old standard silver; what was done was to fix the value of the silver coinage in the new standard gold.

Suppose, then, it were decided to imitate this second operative fact in the case of India, what is it that would have to be done? After the sovereign had been made unlimited legal tender, and the mints had been opened to its free coinage, plainly the next thing to be done would be to fix a rate — the closer to the market rate the better — at which the sovereign and the rupee should both be made legal tender in all transactions. In the Indian case it would be well, no doubt, also, further to anticipate the process of evolution, in as far as nomenclature went, and at once to convert all fixed payments in rupees into payments in pounds sterling, at or about the current exchange rate. If a peasant's rent were ten rupees per annum now, he would still continue to pay ten rupees per annum, but his payment — supposing the rate adopted were one shilling and four pence to the rupee — would, in future, appear as thirteen shillings per annum. The pound sterling, it would have to be announced, would thenceforth be used as the medium of all computations, and the rupee would thenceforth be received, in the payment of taxes and custom duties, at the fixed rate of one shilling and four pence, or something slightly under it, as the committee might recommend. By doing this the government would undertake no more risk in connection with the transition to gold than was undertaken by England itself in its transition in the eighteenth century; and, whether the probable ultimate success of the measure in fixing definitely the value of the rupee is conceded or not, it must at any rate be conceded that such a measure could involve no liability of any sort, nor do anything to make a gold reserve for India in any way more necessary than it is at present. At present we know that India meets her outside obligations in gold without a gold reserve simply because the balance of trade is always in her favor. If the balance of trade turned against her, the situation even now might become very critical, but there is no reason for asserting that it would be more liable to become critical after the adoption of gold as the official standard in the manner described than before it. As to the risk of an internal drain, there could, of course, be none if the government did not guarantee the conversion of the rupees into gold. The mere fact of making gold and the rupee equally legal tender in all transactions, at a fixed ratio, would, it need hardly be said, involve no guarantee whatever. That provision, on the contrary, would give to all tenderers, the government included, the option of paying in whichever medium they pleased.

The question, however, remains: Is there good reason to believe that the adoption of such a course would have the effect of definitely fixing the value of the rupee, now become a subsidiary coin? The English precedent unquestionably favors the opinion that there is every reason for that belief. The rupee would, of course, though subsidiary, be unlimited legal tender; but so was the silver coinage of England in the eighteenth century, and so is the silver coinage of a great part of Europe now. This subsidiary coinage would, in the case of India, form practically the whole currency; but we know that it does that in the case of Java at present without any unsatisfactory result. The main ground for believing that the measure would be successful in definitely fixing the value of the rupee is this: that, under the new system, a state of things would be brought into existence in which the rupee circulation, owing to the fact that its being received in all payments due to government at a fixed ratio to gold, would be continually in process of being redeemed, to all intents, in gold. The revenue bears a proportion of about four-fifths to the total circulation, and that proportion would be directly redeemed annually. It is this virtual redemption in gold that, as Professor Laughlin remarks, in America maintains the value of silver and of the certificates based on it, which are not actually redeemable in gold, at a parity with United States notes which are, and the principle that is thus seen to operate in America would certainly not fail to operate similarly in India. As to the bank notes, they are promises to pay in rupees now, and should remain promises to pay in rupees still, with this difference that, if the parity of the rupee with gold were successfully maintained, they would, in effect, be precisely equivalent to promises to pay in gold.

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RESUMPTION OF SPECIE PAYMENTS IN AUSTRIA-HUNGARY.

SIX years ago the Austrian government formed a plan for the ultimate resumption of specie payments, and the adoption of the single gold standard. Initiatory legislation was enacted in 1892; in 1894 a second series of laws was passed; this year the ministry has proposed to take the final steps.

The legal tender paper currency, which the pending laws will make